

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 20, 2007 **Bill Number:** H.B. 3072

Authors: Rice; Haskins; Cobb-Hunter

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 44-67-140 so as to impose a sixty-cent deposit on each pack of twenty cigarettes sold, to require retail sellers to remit these deposits to the Department of Revenue, to have these funds placed in a Cigarette Deposit Account in the State Treasury to be used for refunds of these deposits and for the operation of cigarette refund sites, to provide that Palmetto Pride shall establish and operate the refund sites, to provide refund procedures, to provide that unexpended funds in the Cigarette Deposit Account must be credited to the Health Care Trust Fund established in this Act, and to provide that these funds must be appropriated by the General Assembly in the annual appropriations Act for health care needs in the State.

REVENUE IMPACT ^{1/}

This bill would increase business license tax revenue for the Cigarette Deposit Account by an estimated \$190,367,000 in FY2007-08. This bill would also reduce General Fund Business License tax revenue by an estimated \$4,934,000 in FY2007-08.

Explanation

This bill would add Section 44-67-140 to impose a deposit of 60 cents per pack of 20 cigarettes at the time of sale at a retail establishment. The higher surcharge would be expected to generate an estimated \$190,367,000 of business license tax revenue in FY2007-08. Because the higher tax will reduce cigarette demand, the Business License tax currently allocated to the General Fund would be reduced by an estimated \$4,934,000 in FY2007-08. This bill would establish a separate and distinct fund from the General Fund within the State Treasury styled the Cigarette Deposit Account into which the Department of Revenue would remit the deposits received by cigarette retailers. Palmetto Pride, the state's litter control project, would establish and operate cigarette refund sites. A person submitting a sales receipt for a pack of cigarettes, an empty cigarette pack, or twenty cigarette butts would be issued a deposit receipt to be taken to the State Treasurer's Office in exchange for a check in the amount of the deposit refund from the Cigarette Deposit Fund. A person could submit up to seven cigarette deposits at any one time. Each year, the General Assembly would appropriate funds from unclaimed deposits in the Cigarette Deposit Fund to Palmetto Pride for the operation of the cigarette deposit refund sites. There is also established in the State Treasury a separate and distinct fund from the General Fund styled the Health Care Trust Fund. Any unexpended funds from the Cigarette Deposit Account must be transferred to the Health Care Trust Fund and appropriated to address those health care needs designated by the General Assembly. This act takes effect July 1, 2007.

/s/ WILLIAM C. GILLESPIE, PH.D.

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.